

Final Draft

**WILLS POINT
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

For The Year Ended August 31, 2016

Final Draft

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CERTIFICATE OF THE BOARD

Wills Point Independent School District
Name of School District

Van Zandt
County

234-907
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2016, at a meeting of the board of trustees of such school district on December 12, 2016.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Wills Point Independent School District
Wills Point, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wills Point Independent School District (the "District") as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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To the Board of Trustees
Wills Point Independent School District

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-13, budgetary comparison information on pages 46-47, and pension information on pages 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, and required Texas Education Agency ("TEA") schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget ("OMB"); Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the TEA required schedules as listed in the table of contents, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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To the Board of Trustees
Wills Point Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Dallas, Texas
December 5, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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WILLS POINT INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Wills Point Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2016. Please read it in conjunction with the District's financial statements, which begin on page 17.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$24,653,943 (net position). Of this amount, \$3,179,065 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$145,210, excluding a prior period adjustment in the amount of \$62,537.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,111,037, an increase of \$637,962 in comparison with the prior year. This increase excludes a prior period adjustment in the amount of \$62,537. \$4,302,356 is available for spending at the District's discretion (*unassigned fund balance*). Of this amount, \$689,474 has been committed by the Board for specific purposes. In addition, \$500,000 has been assigned for district/campus renovations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,302,356, or 23 percent of total General Fund expenditures.

Overview of the Financial Statements

This annual report consists of three *parts*—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

WILLS POINT INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Figure A-1 shows how the financial statements, management's discussion and analysis and required supplementary information are arranged and related to one another.

Figure A-1

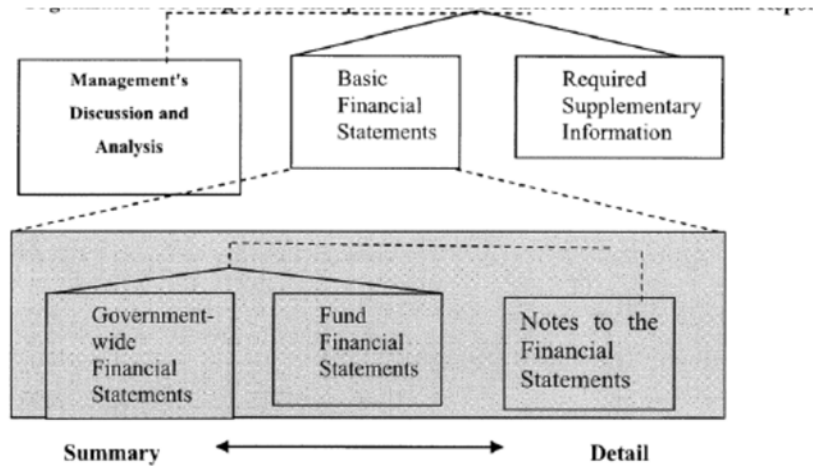


Figure A-2

Major features of the District's Government-wide and Fund Financial Statements				
Type of Statement	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire government (except fiduciary funds) and the District's component	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses i.e. self-insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	Statement of Net Position, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash	Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Types of accountability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that become due during the year or soon thereafter. No capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities both short-term and long-term; the District's funds do not currently include capital assets, although they can.
<i>Types of Inflow/outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

WILLS POINT INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide financial statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base

The *government-wide financial statements* of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

The *fund financial statements* provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Fiduciary funds The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Financial Analysis of the District as a Whole

The following analysis focuses on the net position and changes in net position of the District's governmental activities.

Net position of the District's governmental activities increased from \$24,446,196 to \$24,653,943. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$3,179,065 and \$2,269,118 at August 31, 2016 and 2015, respectively.

A large portion of the District's net position (\$20,786,380) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 6,492,916	\$ 6,261,552
Other assets	1,363,414	1,262,747
Capital assets less accumulated depreciation	23,010,296	24,027,011
Total Assets	<u>30,866,626</u>	<u>31,551,310</u>
Deferred Outflows of Resources		
Deferred outflows	2,333,895	610,771
Total Deferred Outflows of Resources	<u>2,333,895</u>	<u>610,771</u>
Liabilities		
Current liabilities	1,017,470	1,422,338
Long term liabilities	7,147,281	5,521,190
Total Liabilities	<u>8,164,751</u>	<u>6,943,528</u>
Deferred Inflows of Resources		
Deferred inflows	381,827	772,357
Total Deferred Inflows of Resources	<u>381,827</u>	<u>772,357</u>
Net Position		
Net investment in capital assets	20,825,867	20,943,559
Restricted	649,011	1,233,519
Unrestricted	3,179,065	2,269,118
Total Net Position	<u>\$ 24,653,943</u>	<u>\$ 24,446,196</u>

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WILLS POINT INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	Governmental Activities	
	2016	2015
Revenue:		
Program Revenues:		
Charges for services	\$ 477,799	\$ 405,968
Operating grants & contributions	3,903,774	3,549,670
General Revenues:		
Property taxes	5,925,298	6,166,399
State Aid	13,213,443	12,802,073
Investment earnings	23,507	18,800
Miscellaneous local and intermediate	38,822	141,843
Total Revenues	23,582,643	23,084,753
Expenses		
Instruction	12,938,612	11,669,028
Instructional resources and media services	359,238	315,527
Curriculum and staff development	100,504	110,680
Instructional leadership	490,963	458,989
School leadership	1,366,398	1,250,765
Guidance, counseling, and evaluation services	713,013	631,843
Social work services	7,106	8,627
Health services	340,218	347,283
Student transportation	1,242,259	1,260,065
Food service	1,278,050	1,286,254
Extracurricular activities	1,008,018	992,774
General administration	875,575	891,719
Facilities maintenance and operations	2,155,957	2,204,760
Security and monitoring services	149,911	125,367
Data processing services	208,174	205,130
Community services	44	
Interest on long-term debt	58,008	115,862
Debt issuance costs and fees		49,362
Facility repairs and maintenance		146,252
Payment to tax appraisal district	145,385	141,870
Total Expenses	23,437,433	22,212,157
Increase (Decrease) in Net Position	145,210	872,596
Beginning Net Position	24,446,196	26,358,684
Prior Period Adjustment	62,537	(2,785,084)
Ending Net Position	\$ 24,653,943	\$ 24,446,196

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WILLS POINT INDEPENDENT SCHOOL DISTRICT *MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

Governmental Activities

Governmental activities increased the District's net position by \$146,860, excluding the prior period adjustment. Key elements of this increase are as follows:

Revenues are generated primarily from three sources, State aid formula grants, operating grants and contributions, and ad valorem property taxes. State aid formula grants and operating grants and contributions in the amount of \$17,117,217 represents 73 percent of total revenues, and property taxes in the amount of \$5,925,298 represents 25 percent of total revenues. The remaining is generated from charges from services, investment earnings and miscellaneous revenues.

The primary functional expense of the District is instruction (\$12,938,612), which represents 55 percent of total expenses. Facilities repairs and maintenance (\$2,155,957) represents 9 percent of total expenses. The remaining individual function categories of expenses are each less than 6 percent of total expenses.

The District's M&O and I&S property tax rates were \$1.04 and \$0.09706, respectively. The District's tax assessed valuation increased approximately 0.32% percent. Property tax revenue decreased \$241,101 over the prior year due to a decrease in the I&S rate of \$0.00694.

Financial Analysis of the District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 19) reported combined fund balance of \$6,111,037, which increased from last year's total of \$5,410,538. Included in this year's total change in fund balance is an increase of \$633,436 in the District's General Fund. There was also an increase in fund balance of \$62,537 due to a prior period adjustment to the Campus Activity Fund in the District's nonmajor governmental funds. See Note 16 in the Notes to the Financial Statements. The increase in the General Fund is primarily related to an increase in state revenue.

General Fund Budgetary Highlights

Over the course of the year, the Board of Trustees amended the District's budget several times. The major budget amendments for the year were to budget for additional instruction, general administration, and data processing services. These amendments came from various functions, additional revenue and available fund balance.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Asset and Debt Administration

Capital Assets

At year end the District had invested in a broad range of capital assets, including land, equipment, buildings and vehicles.

	<u>Balance</u> <u>August 31, 2015</u>	<u>Additions</u>	<u>(Retirements)</u> <u>and Transfers</u>	<u>Balance</u> <u>August 31, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Total Capital assets, not being depreciated	<u>1,141,684</u>			<u>1,141,684</u>
Capital assets, being depreciated:				
Buildings and improvements	38,162,301			38,162,301
Furniture and equipment	3,477,891	156,578	(121,622)	3,512,847
Capital lease assets	707,035			707,035
Total Capital assets, being depreciated	<u>42,347,227</u>	<u>156,578</u>	<u>(121,622)</u>	<u>42,382,183</u>
Less accumulated depreciation for:				
Buildings and improvements	(16,658,080)	(948,423)		(17,606,503)
Furniture and Equipment	(2,690,340)	(147,500)	121,622	(2,716,218)
Capital lease assets	(113,480)	(77,370)		(190,850)
Total Accumulated depreciation	<u>(19,461,900)</u>	<u>(1,173,293)</u>	<u>121,622</u>	<u>(20,513,571)</u>
Governmental Capital Assets	<u>\$ 24,027,011</u>	<u>\$ (1,016,715)</u>	<u>\$</u>	<u>\$ 23,010,296</u>

Debt Administration

At year-end the District had \$2,208,612 in bonds and capital leases as shown below:

	<u>Balance</u> <u>September 1,</u> <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31,</u> <u>2016</u>
General obligation bonds	\$ 2,465,000	\$	\$ (680,000)	\$ 1,785,000
Capital leases payable	598,047		(174,435)	423,612
	<u>\$ 3,063,047</u>	<u>\$</u>	<u>\$ (854,435)</u>	<u>\$ 2,208,612</u>

Economic Factors and Next Year's Budgets and Tax Rates

The district's elected officials considered several factors when setting fiscal year 2017 budget and tax rate. The district expects a slight gain in student growth, but continues to cut cost where possible and increase expenditures only for mandated areas. While the overall tax rate remained unchanged, the Maintenance and Operation tax rate was set at \$1.13706 which is an increase from the prior year Maintenance and Operations rate of \$1.04. The Debt Service rate was eliminated as the result of a tax ratification election approved by the taxpayers in July 2016.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administration office, at 338 W. North Commerce, Wills Point, Texas 75169.

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BASIC FINANCIAL STATEMENTS

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WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

August 31, 2016

<u>Data Control Codes</u>	<u>Governmental Activities</u>
Assets	
1110 Cash and cash equivalents	\$ 6,492,916
1220 Delinquent property taxes receivables	1,072,610
1230 Allowance for uncollectable taxes (credit)	(343,236)
1240 Due from other governments	603,092
1290 Other receivables (net)	99
1300 Inventories	30,705
1410 Prepaid items	144
Capital Assets, not subject to depreciation:	
1510 Land	1,141,684
Capital Assets, net of accumulated depreciation:	
1520 Buildings and improvements, net	20,555,798
1530 Furniture and equipment, net	796,629
1550 Capital lease asset, net	516,185
1000 Total Assets	<u>30,866,626</u>
Deferred Outflows of Resources	
1700 Deferred outflows - pension	2,333,895
Total Deferred Outflows of Resources	<u>2,333,895</u>
Liabilities	
2110 Accounts payable	2,656
2140 Interest payable	1,551
2160 Accrued wages payable	713,500
2180 Due to other governments	160,501
2200 Accrued expenses	127,958
2300 Unearned revenue	11,304
Noncurrent Liabilities:	
2501 Due within one year	870,050
2502 Due in more than one year	1,338,562
2540 Net pension liability	4,938,669
2000 Total Liabilities	<u>8,164,751</u>
Deferred Inflows of Resources	
2600 Deferred gain on refunding	15,304
2600 Deferred inflows - pension	366,523
Total Deferred Inflows of Resources	<u>381,827</u>
Net Position	
3200 Net investment in capital assets	20,825,867
Restricted for:	
3840 Food service	300,984
3850 Debt service	348,027
3900 Unrestricted	3,179,065
3000 Total net position	<u>\$ 24,653,943</u>

See Notes to the Financial Statements

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WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2016

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense)
			Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
	Governmental activities:				
11	Instruction	\$ 12,938,612	\$ 54,723	\$ 1,942,659	\$ (10,941,230)
	Instructional resources and media				
12	services	359,238	22,790	17,889	(318,559)
13	Curriculum and staff development	100,504		68,609	(31,895)
21	Instructional leadership	490,963		114,965	(375,998)
23	School leadership	1,366,398	7,547	82,208	(1,276,643)
	Guidance, counseling, and evaluation				
31	services	713,013		167,338	(545,675)
32	Social work services	7,106		541	(6,565)
33	Health services	340,218		365,185	24,967
34	Student transportation	1,242,259		54,993	(1,187,266)
35	Food service	1,278,050	238,615	948,139	(91,296)
36	Extracurricular activities	1,008,018	135,369	32,806	(839,843)
41	General administration	875,575		36,278	(839,297)
51	Facilities maintenance and operations	2,155,957	18,755	63,518	(2,073,684)
52	Security and monitoring services	149,911		445	(149,466)
53	Data processing services	208,174		8,201	(199,973)
61	Community services	44			(44)
72	Interest on long-term debt	58,008			(58,008)
99	Payments to appraisal districts	145,385			(145,385)
TG	Total governmental activities	23,437,433	477,799	3,903,774	(19,055,860)
TP	Total primary government	\$ 23,437,433	\$ 477,799	\$ 3,903,774	(19,055,860)
	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				5,416,996
DT	Property taxes, levied for debt service				508,302
SF	State-aid formula grants				13,213,443
IE	Investment earnings				23,507
MI	Miscellaneous				38,822
TR	Total general revenues				19,201,070
CN	Change in net position				145,210
NB	Net position - beginning				24,446,196
PA	Prior period adjustments				62,537
NE	Net position - ending				\$ 24,653,943

See Notes to the Financial Statements

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2016

Data Control Codes	General Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets			
1110 Cash and cash equivalents	\$ 5,860,241	\$ 632,675	\$ 6,492,916
Receivables:			
1220 Delinquent property taxes receivables	981,132	91,478	1,072,610
1230 Allowance for uncollectible taxes (credit)	(313,962)	(29,274)	(343,236)
1240 Receivables from other governments	565,670	37,422	603,092
1260 Due from other funds	600		600
1290 Other receivables	99		99
1300 Inventories	30,705		30,705
1410 Prepaid Items	144		144
1000 Total Assets	\$ 7,124,629	\$ 732,301	\$ 7,856,930
 Liabilities, Deferred Inflows, and Fund Balance			
Liabilities:			
2110 Accounts payable	\$ 2,647	\$ 9	\$ 2,656
2150 Payroll deduction and withholdings payable	2,666		2,666
2160 Accrued wages payable	678,098	35,402	713,500
2170 Due to other funds		600	600
2180 Payable to other governments	158,853	1,648	160,501
2200 Accrued expenditures	124,670	622	125,292
2300 Unearned revenues		11,304	11,304
2000 Total Liabilities	966,934	49,585	1,016,519
 Deferred Inflows of Resources			
2600 Unavailable revenue - property taxes	667,170	62,204	729,374
Total Deferred Inflows of Resources	667,170	62,204	729,374
 Fund Balance:			
Nonspendable			
3410 Inventories	30,849		30,849
Restricted for:			
3450 Grants		300,984	300,984
3480 Debt service		287,374	287,374
Committed for:			
3520 Claims and judgments	150,000		150,000
3530 Capital expenditures for equipment	300,000		300,000
3540 Self insurance	207,320		207,320
3545 Campus activity funds		32,154	32,154
3590 Assigned for other purposes	500,000		500,000
3600 Unassigned	4,302,356		4,302,356
3000 Total fund balances	5,490,525	620,512	6,111,037
 4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 \$ 7,124,629	 \$ 732,301	 \$ 7,856,930

See Notes to the Financial Statements.

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL
FUNDS TO STATEMENT OF NET POSITION
August 31, 2016

Exhibit C-2

<u>Data Control Codes</u>		
	Total fund balance, governmental funds	\$ 6,111,037
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost (\$43,523,867), net of accumulated depreciation (\$20,513,571), where applicable	23,010,296
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	729,374
3	Deferred outflows related to TRS pension	2,333,895
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
4	General obligation bonds	(1,785,000)
5	Capital leases payable	(423,612)
6	Net pension liability	(4,938,669)
7	Accrued interest payable	(1,551)
8	Deferred inflow for TRS pension investment earnings and proportionate share	(366,523)
9	Deferred gain on refunding	<u>(15,304)</u>
19	Total net position - governmental activities	<u>\$ 24,653,943</u>

See Notes to the Financial Statements.

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

Exhibit C-3

Data Control Codes	General Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
5700 Local, intermediate, and out-of-state	\$ 5,601,212	\$ 828,611	\$ 6,429,823
5800 State program revenues	13,799,678	410,355	14,210,033
5900 Federal program revenues	343,889	2,123,946	2,467,835
5020 Total revenues	19,744,779	3,362,912	23,107,691
Expenditures			
Current:			
0011 Instruction	10,776,843	1,030,010	11,806,853
0012 Instructional resources and media services	300,460	34,618	335,078
0013 Curriculum and staff development	31,895	68,609	100,504
0021 Instructional leadership	382,963	91,803	474,766
0023 School leadership	1,293,134	14,372	1,307,506
0031 Guidance, counseling and evaluation services	552,057	135,015	687,072
0032 Social work services	6,967		6,967
0033 Health services	327,597		327,597
0034 Student transportation	1,070,992		1,070,992
0035 Food services		1,216,084	1,216,084
0036 Extracurricular activities	833,855	50,582	884,437
0041 General administration	845,550		845,550
0051 Facilities maintenance and operations	1,998,069		1,998,069
0052 Security and monitoring services	156,203		156,203
0053 Data processing services	188,356		188,356
0061 Community services	44		44
Debt service:			
0071 Principal and interest on long-term debt	174,435	680,000	854,435
0072 Interest on long-term debt	13,075	50,756	63,831
Intergovernmental:			
0099 Payments to appraisal districts	145,385		145,385
6030 Total Expenditures	19,097,880	3,371,849	22,469,729
1100 Excess (deficiency) of revenues over expenditures	646,899	(8,937)	637,962
Other Financing Sources (Uses)			
7915 Transfers in		13,463	13,463
8911 Transfers out	(13,463)		(13,463)
7080 Total other financing sources (uses)	(13,463)	13,463	
1200 Net change in fund balances	633,436	4,526	637,962
0100 Fund Balance - beginning	4,857,089	553,449	5,410,538
1300 Prior Period Adjustment		62,537	62,537
3000 Fund Balance - ending	\$ 5,490,525	\$ 620,512	\$ 6,111,037

See Notes to the Financial Statements.

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2016

**Data
Control
Codes**

	Net change in fund balances - total governmental funds (from C-3)	\$ 637,962
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays (\$156,578) as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation (\$1,173,293) expense. This is the amount by which depreciation exceeded capital outlays.	(1,016,715)
2	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	35,678
3	Repayment of bond and capital lease principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	854,435
4	Pension contributions made after the pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position	427,688
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds:	
5	Decrease in interest payable not recognized in fund statements	722
6	Amortization of deferred gain on refunding	5,101
7	Pension expense for the pension plan measurement year	(799,661)
	Change in net position of governmental activities (see B-1)	<u>\$ 145,210</u>

See Notes to the Financial Statements.

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
August 31, 2016

Exhibit E-1

865

<u>Data Control</u> <u>Codes</u>		<u>Agency Fund</u>
	Assets	
1110	Cash and cash equivalents	\$ 26,902
1000	Total Assets	<u>\$ 26,902</u>
	Liabilities	
2190	Due to student groups and others	\$ 26,902
2000	Total Liabilities	<u>\$ 26,902</u>

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Wills Point Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds. Because the Board of Trustees (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." There are no component units included within the reporting entity.

Implementation of New Standards

In the current fiscal year, the District implemented the following new standards:

GASB Statement No. 72, *Fair Value Measurement and application*, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, clarifies the application of certain provisions of Statement No. 68 with regard to information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures include information about any limitations or restrictions on participant withdrawals.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not report any business-type activities.

Note 1 - Summary of Significant Accounting Policies (continued)

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The “operating grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District does not have any proprietary funds. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue *as soon as* all eligibility requirements imposed by the provider have been met. An agency fund, a type of fiduciary fund, does not have a measurement focus.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Note 1 - Summary of Significant Accounting Policies (continued)

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental fund:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

- The *special revenue funds* are used to account for resources restricted to, or designated for, specific purposes by a grantor including federally-funded and state-funded grants. These grants are awarded to the District for the purpose of accomplishing specific educational tasks as defined in the grant awards.
- The *debt service fund* accounts for resources accumulated and payments made for the principal and interest on long-term general obligation debt of governmental funds.
- The *agency fund* is used to account for resources held for others in a custodial capacity. The District's reports student activities in an agency fund.

Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value. The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79 *Certain Investment Pools and Pool Participants*.

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There is a small amount of prepaids in the general fund that is not material to the financial statements as of August 31, 2016.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	40
Vehicles	5 - 10
Other Equipment	5-7

Compensated Absences

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits, to be paid upon retirement. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. The District estimates that the liability for accumulated unpaid vacation and sick pay for all employees eligible to be \$41,700 as of August 31, 2016. This amount is not considered material to the financial statements.

Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Deferred gains/losses on refundings are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premiums or discounts. Bond issuance costs are expenses as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred outflows/inflows of resources

A *deferred outflow of resources* is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has one item that qualifies for reporting in this category:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments, 2) changes in actuarial assumptions, 3) differences between expected and

Note 1 - Summary of Significant Accounting Policies (continued)

actual actuarial experiences, and 4) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

A *deferred inflow of resources* is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for refunding – Reported in the government wide statement of net position, this deferred gain on refunding results from the difference of the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for pension – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions, 2) differences between expected and actual actuarial experiences, and 3) changes in the District's proportional share of pension liabilities. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

Accounting principles generally accepted in the United States of America (GAAP) provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, inventories have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Note 1 - Summary of Significant Accounting Policies (continued)

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

The District has committed general fund balance for the following purposes:

Purpose	Amount
Claims and judgments	\$ 150,000
Capital expenditures for equipment	300,000
Self insurance	207,320
	\$ 657,320

The District has also committed Campus Activity fund balance in the amount of \$32,154.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.

The Board has delegated authority to the Superintendent or Director of Finance to establish fund balance assignments. The District assigned \$500,000 for future renovations.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. The District has not adopted a policy stating which fund balance category is spent first when committed, assigned or unassigned fund balances are available. By default, the District will consider amounts to have been spent first out of committed funds, then assigned and finally unassigned funds.

Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide database for policy development and funding plans.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

Note 2 - Deposits and Investments

The District has adopted a written investment policy [CDA (LEGAL) and CDA (LOCAL)] regarding the investment of its funds as defined by the PFIA. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District complies with the requirements of the Act and with local policies. The District's investment policy permits investment of District funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

1. Obligations of or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. A securities lending program as permitted by Government Code 2256.0115.
5. Bankers' acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.
8. A guaranteed investment contract as an investment vehicle for bond proceeds provided it meets the criteria and eligibility requirements established by Government Code 2256.015.

For the year ended August 31, 2016, the District invested in the State of Texas Texpool, and Lone Star.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer. The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safekeep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940.

TexPool uses amortized cost to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

Lone Star Investment Pool (LSIP) is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U. S. government and U. S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. LSIP is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss. The District's amortized cost in LSIP is the same as the value of the pool shares.

Note 2 - Deposits and Investments (continued)

As of August 31, 2016, the District had the following investments:

	Carrying Value	Weighted Average Maturity (Days)
Cash and deposits:		
Governmental Activities	\$ 1,005,074	
Fiduciary fund	26,902	
Investments:		
Governmental Activities		
Local Government Investment Pools:		
Lone Star	46,589	23
TexPool	5,441,253	42
Total Investments	5,487,842	42
Total Cash and Investments	\$ 6,519,818	

Cash Deposits: The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District's cash deposits at August 31, 2016, were entirely covered by FDIC insurance and pledged securities held by the District's agent in the name of the District.

Investments: The District's investments are insured, registered or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in the event of failure by the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third party bank trust department hold all securities owned by the District.

Interest Rate Risk

The District measures interest rate risk using the weighted average maturity method based on the fund in which the District makes investments. The District's investment policy specifies limitations for weighted average maturities for investments in all funds and for investments in the general fund.

Credit risk

At year-end, balances in TexPool were rated AAAM by Standard & Poor's and balances in Lone Star were rated AAA by Standard & Poor's. Both are privately managed public funds investment pools.

State law and the District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, scheduling, and financial institutions in order to reduce the risk of loss resulting from over- concentration of assets in a specific class of investments, specific maturity, or specific issuer.

The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, both Lone Star and Texpool do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. Both pools do not impose any liquidity fees or redemption gates.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 3 - Receivables

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenue is considered available (1) when it becomes due or past due and receivable within the current period. Appraised values are established by the Central Appraisal District (CAD) of Van Zandt County and Kaufman County, Texas. Taxes are levied by the District's

Board of Trustees based on the appraised values received from the CAD. Billing and collection of tax levies are performed by Van Zandt County and Kaufman County.

Net receivables, at August 31, 2016, consisted of the following:

	General Fund	Total Nonmajor Governmental Funds	Total
Property Taxes	\$ 981,132	\$ 91,478	\$ 1,072,610
Due from other governments	565,670	37,422	603,092
Other	99		99
Gross Receivables	1,546,901	128,900	1,675,801
Less allowance for doubtful accounts	(313,962)	(29,274)	(343,236)
Net Total Receivables	\$ 1,232,939	\$ 99,626	\$ 1,332,565

Governmental funds report revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (General Fund)	\$ 667,170
Delinquent property taxes receivable (Debt Service Fund)	62,204
	\$ 729,374

Note 4 - Due from other Governments

Amounts reported as due from other governments consist primarily of receivables due from state agencies for state aid and federal grant expenditure reimbursements. As of August 31, 2016, the District's due from other governments are made up of State foundation aid and grants.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 5 - Interfund Activities

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate fund. Additionally, some lending/borrowing may occur between two or more non-major governmental funds.

The composition of interfund balances as of August 31, 2016, is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 600	\$
Nonmajor Funds		600
	\$ 600	\$ 600

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date interfund payments are actually settled. All interfund receivables and payables will be liquidated within the next fiscal year. In the government-wide statements, all interfund transactions for receivables and payables have been eliminated. Interfund transfers are defined as “flows of assets without equivalent flows of assets in return and without a requirement for a payment.” Interfund transfers during the year ended June 30, 2016 were as follows:

Transfers Out	Transfers In	Amount
General Fund	Nonmajor Governmental Fund	13,463

An interfund transfer was made from the General Fund to a nonmajor governmental fund as a result of the centralization of campus activity funds.

Note 6 - Capital Assets

Changes in Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2016 follows:

	Balance August 31, 2015	Additions	(Retirements) and Transfers	Balance August 31, 2016
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Total Capital assets, not being depreciated	1,141,684			1,141,684
Capital assets, being depreciated:				
Buildings and improvements	38,162,301			38,162,301
Furniture and equipment	3,477,891	156,578	(121,622)	3,512,847
Capital lease assets	707,035			707,035
Total Capital assets, being depreciated	42,347,227	156,578	(121,622)	42,382,183
Less accumulated depreciation for:				
Buildings and improvements	(16,658,080)	(948,423)		(17,606,503)
Furniture and Equipment	(2,690,340)	(147,500)	121,622	(2,716,218)
Capital lease assets	(113,480)	(77,370)		(190,850)
Total Accumulated depreciation	(19,461,900)	(1,173,293)	121,622	(20,513,571)
Governmental Capital Assets	\$ 24,027,011	\$ (1,016,715)	\$	\$ 23,010,296

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 6 - Capital Assets (continued)

Depreciation expense has been charged to the following functions in the government-wide statements:

Function	Depreciation Expense
Instruction	\$ 534,283
Instructional resources and media services	17,160
Instructional leadership	1,197
School leadership	11,892
Guidance, counseling and evaluation services	1,941
Social work services	139
Health services	5,621
Student transportation	212,399
Food Services	73,285
Extracurricular activities	107,581
General administration	5,025
Facilities maintenance and operations	183,952
Data processing services	18,818
	\$ 1,173,293

Note 7 - Long-Term Debt and Debt Service Requirements

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The District has one outstanding bond issuance as shown below.

Issue	Interest Rate (%)	Maturity Date	Debt Outstanding
Unlimited Tax Refunding Bonds, Series 2015	1.998%	2019	\$ 1,785,000

A summary of changes in general obligation bonds payable for the year ended August 31, 2016, is as follows:

	Balance September 1, 2015	Additions	Retirements	Balance August 31, 2016	Due Within One Year
General obligation bonds	\$ 2,465,000	\$	\$ (680,000)	\$ 1,785,000	\$ 705,000
Capital leases payable	598,047		(174,435)	423,612	165,050
	\$ 3,063,047	\$	\$ (854,435)	\$ 2,208,612	\$ 870,050

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WILLS POINT INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 7 - Long-Term Debt and Debt Service Requirements (continued)

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 705,000	\$ 35,664	\$ 740,664
2018	715,000	21,578	736,578
2019	365,000	7,293	372,293
	<u>\$ 1,785,000</u>	<u>\$ 64,535</u>	<u>\$ 1,849,535</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2016.

Capital leases

The District is obligated under three capital leases as follows:

The District entered into a capital for the purchase of fire alarm equipment in fiscal year 2012 for the amount of \$66,667. The District will pay this lease in five equal payments of \$13,333 through fiscal year 2016. The District leased the equipment interest free.

In fiscal year 2015, the District entered into a capital lease with Bank of America Public Capital Corp. for the purchase of buses in amount of \$640,368, with an interest rate of 1.961% and a term of five years. The following illustrates future payments on this lease:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 125,563	\$ 7,533	\$ 133,096
2018	128,026	5,070	133,096
2019	130,536	2,560	133,096
	<u>\$ 384,125</u>	<u>\$ 15,163</u>	<u>\$ 399,288</u>

In fiscal year 2015, the District entered into a capital lease with Key Government Finance for the purchase of technology in the amount of \$117,354, with an interest rate of 3.966% and a term of three years. The following illustrates future payments on this lease:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 39,487	\$ 1,595	\$ 41,082
	<u>\$ 39,487</u>	<u>\$ 1,595</u>	<u>\$ 41,082</u>

Note 8 - Revenues from Local, Intermediate, and Out-of-State sources

Revenues from local, intermediate and out-of-state sources in the governmental fund types are as follows:

	General Fund	Other Governmental Funds	Total
Property Taxes	\$ 5,387,250	\$ 502,370	\$ 5,889,620
Investment Income	20,461	3,046	23,507
Co-curricular student activities	102,070	84,479	186,549
Food Sales		238,615	238,615
Other	91,431	101	91,532
	\$ 5,601,212	\$ 828,611	\$ 6,429,823

Note 9 - Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Note 9 - Defined Benefit Pension Plan (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	Contribution Rates	
	Plan Fiscal year	
	2015	2016
Member (Employee)	6.7%	7.2%
Non-employer contributing agency (State)	6.8%	6.8%
District	6.8%	6.8%

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA). Contributions and pension expense for all contributors were as follows:

	Measurement	Fiscal Year
	Year (2015)	(2016)
	Contributions	TRS
	Required and	Contributions
	Made	
Member (Employee)	\$ 887,653	\$ 1,000,952
Non-employer contributing agency (State)	680,821	718,450
District	413,697	427,688

Note 9 - Defined Benefit Pension Plan (continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015, are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The Expected Contributions to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease <u>7%</u>	Current Discount Rate <u>8%</u>	1% Increase <u>9%</u>
District's proportional share of the net pension liability	\$ 7,737,963	\$ 4,938,669	\$ 2,607,030

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2016, the District reported a liability of \$4,938,669 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.0140%
District's proportionate share of the net pension liability	\$ 4,938,669
State's proportionate share of the net pension liability associated with the District	<u>8,125,169</u>
Total	<u>\$ 13,063,838</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0140% which was an increase from its proportion measured as of August 31, 2014 of .009%.

Changes since the Prior Actuarial Valuation

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with this valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2016, the District recognized pension expense of \$799,661 and revenue of \$1,157,706 for support provided by the State.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 9 - Defined Benefit Pension Plan (continued)

At August 31, 2016, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 31,617	\$ (189,797)
Changes in actuarial assumptions	132,885	(176,190)
Net difference between projected and actual Investment earnings	652,803	
Changes in proportion and differences between District contributions and proportionate share of contributions	1,088,902	(536)
Contributions paid to TRS subsequent to the measurement date	427,688	
Total	<u>\$ 2,333,895</u>	<u>\$ (366,523)</u>

The \$427,688 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2017. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	Amount
2017	\$ (271,900)
2018	(271,900)
2019	(271,900)
2020	(459,727)
2021	(153,682)
2022	(110,576)
	<u>\$ (1,539,685)</u>

Note 10 - Retiree Health Plan

Plan Description

The Wills Point Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retiree Plan provides health care coverage for certain person (and their dependents) who retired under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the benefits of TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

Note 10 - Retiree Health Plan (continued)

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2015, 2014, and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1%.

Contributions made by the State, District and staff members for the years ended August 31, 2016, 2015, and 2014, are as follows:

<u>Fiscal Year</u>	<u>State TRS Care Contributions Made on Behalf of the District</u>	<u>District Required Contributions to TRS</u>	<u>Employees Contributions to TRS Care</u>	<u>District's Annual Covered Payroll</u>
2016	\$ 127,595	\$ 110,970	\$ 90,364	\$ 13,902,099
2015	121,707	104,358	86,115	13,248,528
2014	123,063	104,612	86,650	13,344,604

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the state on behalf of the District have been recorded in the governmental funds financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2016, 2015 and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$41,112, \$38,949, and \$35,444, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 11 - Health Care

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$150 per month per covered employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Note 12 - Contingent Liabilities

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Note 13 - Risk Management

General

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Such insurance is consistent with the prior year, and no losses were sustained in excess of the coverage over the past three fiscal years.

Unemployment Compensation Pool

During the year ended August 31, 2016, Wills Point ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for Unemployment Compensation Pool members.

Workers' Compensation

The District established a limited risk management program for workers' compensation in 2006 by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Wills Point ISD is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These premiums are reported as revenues in the general fund. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability is recorded in the general fund. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$300,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior period. Settlements have not exceeded coverage's for each of the past three fiscal years.

Note 13 - Risk Management (continued)

Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2016	\$ 162,381	\$ (3,005)	\$ 47,262	112,114
2015	175,579	36,865	50,063	162,381
2014	283,269	76,840	184,530	175,579

Note 14 - Joint Venture-Shared Service Arrangements

The District participates in shared service arrangements. Although the District is an active participant in the activity of the shared service arrangement (SSA) the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agents. The fiscal agents are neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Wills Point Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Note 15 - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2016, will change.

Note 16 - Prior Period Adjustment

In fiscal year 2016, the District established their Campus Activity Fund. Due to the creation of this fund, a prior period adjustment was necessary to record the beginning fund balance.

The following is a summary of the prior period adjustment to the net position of the governmental activities:

Beginning Net Position	\$ 24,446,196
Restatement due to:	
Establishing fund balance in the Campus Activity Fund	62,537
 Beginning Net Position - As Restated	 \$ 24,508,733

REQUIRED SUPPLEMENTARY INFORMATION

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2016

Exhibit G-1

Data Control Codes	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 5,632,432	\$ 5,832,432	\$ 5,601,212	\$ (231,220)
5800	State program revenues	13,502,803	13,552,953	13,799,678	246,725
5900	Federal program revenues	300,000	414,250	343,889	(70,361)
5020	Total revenues	<u>\$ 19,435,235</u>	<u>\$ 19,799,635</u>	<u>\$ 19,744,779</u>	<u>\$ (54,856)</u>
Expenditures					
Current:					
0011	Instruction	10,782,263	10,896,013	10,776,843	119,170
0012	Instructional resources and media services	300,574	302,574	300,460	2,114
0013	Curriculum and staff development	35,716	39,916	31,895	8,021
0021	Instructional leadership	376,252	403,252	382,963	20,289
0023	School leadership	1,301,995	1,308,695	1,293,134	15,561
0031	Guidance, counseling and evaluation services	611,181	611,181	552,057	59,124
0032	Social work services	8,597	8,597	6,967	1,630
0033	Health services	359,375	359,375	327,597	31,778
0034	Student transportation	1,220,751	1,200,751	1,070,992	129,759
0035	Food services	-	40,000		40,000
0036	Extracurricular activities	858,295	865,295	833,855	31,440
0041	General administration	790,727	881,127	845,550	35,577
0051	Facilities maintenance and operations	2,137,445	2,123,982	1,998,069	125,913
0052	Security and monitoring services	155,993	217,993	156,203	61,790
0053	Data processing services	171,393	489,393	188,356	301,037
0061	Community services	500	500	44	456
Debt Service:					
0071	Principal on long-term debt	174,178	187,528	174,435	13,093
0072	Interest on long-term debt			13,075	(13,075)
Intergovernmental:					
0099	Other intergovernmental charges	150,000	150,000	145,385	4,615
6030	Total Expenditures	<u>\$ 19,435,235</u>	<u>\$ 20,086,172</u>	<u>\$ 19,097,880</u>	<u>\$ 988,292</u>
1100	Excess (deficiency) of revenues over expenditures		(286,537)	646,899	933,436
Other Financing Sources (Uses)					
8911	Transfers Out	-	(13,463)	(13,463)	-
7080	Total other financing sources and uses		<u>(13,463)</u>	<u>(13,463)</u>	
1200	Net change in fund balances		(300,000)	633,436	933,436
0100	Fund balances - beginning	<u>4,857,089</u>	<u>4,857,089</u>	<u>4,857,089</u>	
3000	Fund balances - ending	<u>\$ 4,857,089</u>	<u>\$ 4,557,089</u>	<u>\$ 5,490,525</u>	<u>\$ 933,436</u>

Budgets and Budgetary Accounting

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2016.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2015. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

The District reported expenditures in excess of appropriations in the debt service fund for bond principal in the amount of \$15,000 related to the payments on the Districts general obligation bond.

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
Required Supplementary Information

Exhibit G-3

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY**

Teacher Retirement System of Texas
Last two measurement years

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0140%	0.0092%
District's proportionate share of the net pension liability	\$ 4,938,669	\$ 2,458,143
State's proportionate share of the net pension liability associated with the District	8,125,169	7,330,251
Total	<u>\$ 13,063,838</u>	<u>\$ 9,788,394</u>
District's covered-employee payroll (for Measurement Year)	\$ 13,248,582	\$ 13,344,604
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	37.3%	18.4%
Plan fiduciary net position as a percentage of the total pension liability *	78.43%	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	91.94%	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

* Per TRS' CAFR

Note (1): Ten years of data should be presented in this schedule but data is unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
Required Supplementary Information

Exhibit G-4

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Teachers Retirement System of Texas
Last Six Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contributions	\$ 427,688	\$ 412,973	\$ 233,312	\$ 177,123	\$ 165,146
Contributions in relation to the contractual required contributions	<u>427,688</u>	<u>412,973</u>	<u>233,312</u>	<u>177,123</u>	<u>165,146</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 13,902,099	\$ 13,248,528	\$ 13,344,604	\$ 13,019,081	\$ 13,299,924
Contributions as a percentage of covered employee payroll	3.08%	3.12%	1.75%	1.36%	1.24%
	<u>2011</u>				
Contractually required contributions	\$ 203,210				
Contributions in relation to the contractual required contributions	<u>203,210</u>				
contribution deficiency (excess)	<u>\$ -</u>				
District's covered employee payroll	\$ 14,021,408				
Contributions as a percentage of covered employee payroll	1.45%				

Note (1): Ten years of data should be presented in this schedule but data is unavailable prior to 2011.

WILLS POINT INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
Teacher Retirement System of Texas
For the Fiscal Year Ended August 31, 2016

Exhibit G-5

Notes to Required Supplementary Information

Effective September 1, 2014, employers who did not contribute Social Security for TRS-eligible employees were required to contribute an additional 1.5% of TRS-eligible compensation which nearly doubled the District's contributions into the Plan. Because the District's proportional share of the plan is determined by its proportional share of contributions, the District recognized a corresponding increase in its share of net pension liability.

Changes of Assumptions

New actuarial assumptions were adopted by the Teacher Retirement System of Texas' Board of Trustees on September 24, 2015 and are effective with the valuation as of August 31, 2015. The major assumptions changes were the adoption of the use of generational mortality for the purpose of predicting future mortality improvement and the reduction in the inflation rate from 3.00% to 2.50%.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

OTHER SUPPLEMENTARY INFORMATION

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2016

		205	211	224
Data Control Codes		Head Start	ESEA Title I, Part A	IDEA-B Formula
	Assets			
1110	Cash and temporary investments	\$	\$	\$
	Receivables:			
1220	Property taxes - delinquent			
1230	Allowance for uncollectible taxes (credit)			
1240	Receivables from other governments			
1000	Total Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>
	Liabilities and Fund Balance			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$	\$	\$
2160	Accrued wages payable			
2170	Due to other funds			
2180	Due to other governments			
2200	Accrued expenditures			
2300	Deferred revenues			
2000	Total Liabilities	<u> </u>	<u> </u>	<u> </u>
	Deferred Inflows of Resources			
2600	Deferred inflows - unavailable property taxes			
	Deferred Inflows of Resources	<u> </u>	<u> </u>	<u> </u>
	Fund Balance:			
	Restricted for:			
3450	Restricted for grants			
3480	Restricted for debt service			
	Committed:			
3545	Campus Activity Funds			
3000	Total Fund Balances	<u> </u>	<u> </u>	<u> </u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$</u>	<u>\$</u>	<u>\$</u>

Final Draft

Exhibit H-1
Page 1 of 2

225	240	244	255	263	270
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed - Basic	Title II, Part A, TPTR	Title III, LEP	Title VI, Part B, Subpart 2 - Rural and Low- Income Program
\$	\$ 302,965	\$	\$	\$	\$
	34,052				600
<u>\$</u>	<u>\$ 337,017</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 600</u>
\$	\$ 9 35,402	\$	\$	\$	\$
	622				600
	36,033				600
	300,984				
	300,984				
<u>\$</u>	<u>\$ 337,017</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 600</u>

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2016

		289	410	414
<u>Data Control Codes</u>		<u>Summer School LEP</u>	<u>Instructional Materials Allotment</u>	<u>Texas Reading Initiative</u>
	Assets			
1110	Cash and temporary investments	\$	\$ 7,804	\$
	Receivables:			
1220	Property taxes - delinquent			
1230	Allowance for uncollectible taxes (credit)			
1240	Receivables from other governments			
1000	Total Assets	<u>\$</u>	<u>\$ 7,804</u>	<u>\$</u>
	Liabilities and Fund Balance			
	Liabilities:			
	Current Liabilities:			
2110	Accounts payable	\$	\$	\$
2160	Accrued wages payable			
2170	Due to other funds			
2180	Due to other governments			
2200	Accrued expenditures			
2300	Unearned revenues		7,804	
2000	Total Liabilities		<u>7,804</u>	
	Deferred Inflows of Resources			
2600	Deferred inflows - unavailable property taxes			
	Deferred Inflows of Resources			
	Fund Balance:			
	Restricted for:			
3450	Restricted for grants			
3480	Restricted for debt service			
	Committed:			
3545	Campus Activity Funds			
3000	Total Fund Balances			
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$</u>	<u>\$ 7,804</u>	<u>\$</u>

Final Draft

Exhibit H-1

Page 2 of 2

429	461	599		
State Funded Special Revenue Fund	Campus Activity Funds	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Funds
\$ 3,500	\$ 32,154	\$ 346,423	\$ 286,252	\$ 632,675
			91,478	91,478
			(29,274)	(29,274)
		34,652	2,770	37,422
<u>\$ 3,500</u>	<u>\$ 32,154</u>	<u>\$ 381,075</u>	<u>\$ 351,226</u>	<u>\$ 732,301</u>
\$	\$	\$ 9	\$	\$ 9
		35,402		35,402
		600		600
			1,648	1,648
		622		622
<u>3,500</u>		<u>11,304</u>		<u>11,304</u>
<u>3,500</u>		<u>47,937</u>	<u>1,648</u>	<u>49,585</u>
			62,204	62,204
			62,204	62,204
		300,984		300,984
			287,374	287,374
	32,154	32,154		32,154
	32,154	333,138	287,374	620,512
<u>\$ 3,500</u>	<u>\$ 32,154</u>	<u>\$ 381,075</u>	<u>\$ 351,226</u>	<u>\$ 732,301</u>

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

		205	211	224
<u>Data Control Codes</u>		<u>Head Start</u>	<u>ESEA Title I, Part A</u>	<u>IDEA-B Formula</u>
	Revenues			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	28,308	499,325	426,298
5020	Total revenues	<u>28,308</u>	<u>499,325</u>	<u>426,298</u>
	Expenditures			
	Current:			
0011	Instruction	28,308	379,501	315,893
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development		31,895	
0021	Instructional leadership		86,157	
0023	School leadership		1,772	
0031	Guidance, counseling and evaluation services			110,405
0035	Food service			
0036	Extracurricular activities			
	Debt service:			
0071	Principal on long-term debt			
0072	Interest on long-term debt			
6030	Total Expenditures	<u>28,308</u>	<u>499,325</u>	<u>426,298</u>
1100	Excess (deficiency) of revenues over expenditures			
	Other Financing Sources (Uses)			
7915	Transfers in			
7080	Total other financing sources and uses			
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)			
1300	Prior Period Adjustment			
3000	Fund balance - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

Final Draft

Exhibit H-2

Page 1 of 2

225	240	244	255	263	270
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed -Basic	Title II, Part A, TPTR	Title III, LEP	Title VI, Part B, Subpart 2 - Rural and Low- Income Program
\$	\$ 239,614 6,972	\$	\$	\$	\$
6,280	941,167	29,324	126,627	16,302	49,202
6,280	1,187,753	29,324	126,627	16,302	49,202
6,280		3,795	114,138	15,954	19,462
			9,554		27,160
		1,173	2,935	348	1,190
					1,136
		24,356			254
	1,216,084				
6,280	1,216,084	29,324	126,627	16,302	49,202
	(28,331)				
	(28,331)				
	329,315				
\$	\$ 300,984	\$	\$	\$	\$

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2016

	289	410	414
Data Control Codes	Summer School LEP	Instructional Materials Allotment	Texas Reading Initiative
Revenues			
5700	\$	\$ 75	\$
5800		102,288	189
5900	1,113		
5020	<u>1,113</u>	<u>102,363</u>	<u>189</u>
Expenditures			
Current:			
0011	1,113	113,716	189
0012			
0013			
0021			
0023			
0031			
0035			
0036			
Debt service:			
0071			
0072			
6030	<u>1,113</u>	<u>113,716</u>	<u>189</u>
1100		<u>(11,353)</u>	
Other Financing Sources (Uses)			
7915			
7080			
1200		(11,353)	
0100		11,353	
1300			
3000	<u>\$</u>	<u>\$</u>	<u>\$</u>

Final Draft

Exhibit H-2

Page 2 of 2

429	461	599		
State Funded Special Revenue Fund	Campus Activity Funds	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Funds
\$	\$ 84,479	\$ 324,168	\$ 504,443	\$ 828,611
		109,449	300,906	410,355
		2,123,946		2,123,946
	84,479	2,557,563	805,349	3,362,912
	31,661	1,030,010		1,030,010
	34,618	34,618		34,618
		68,609		68,609
		91,803		91,803
	11,464	14,372		14,372
		135,015		135,015
		1,216,084		1,216,084
	50,582	50,582		50,582
			680,000	680,000
			50,756	50,756
	128,325	2,641,093	730,756	3,371,849
	(43,846)	(83,530)	74,593	(8,937)
	13,463			13,463
	13,463			13,463
	(30,383)	(70,067)	74,593	4,526
		340,668	212,781	553,449
	62,537	62,537		62,537
\$	\$ 32,154	\$ 333,138	\$ 287,374	\$ 620,512

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TEA REQUIRED INFORMATION

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2016

Last Ten Fiscal Years	1		2	3	10
	Tax Rates		Debt Service	Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/15
	Maintenance				
2007 and prior	Various		Various	Various	\$ 61,190
2008	1.040000		0.090000	460,879,842	16,050
2009	1.040000		0.070000	493,047,213	23,221
2010	1.040000		0.080000	496,268,026	30,442
2011	1.040000		0.105000	497,882,096	41,933
2012	1.040000		0.105000	505,991,616	62,952
2013	1.040000		0.105000	496,939,126	81,485
2014	1.040000		0.080000	498,685,446	117,642
2015	1.040000		0.104000	510,856,381	255,583
2016	1.040000		0.097060	512,516,752	
1000 Totals					<u>\$ 690,498</u>

Final Draft

Exhibit J-1

20	31	32	40	50
<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/16</u>
\$	\$ 2,745	\$ 181	\$ (1,084)	\$ 57,181
	1,598	115	(846)	13,492
	2,606	175	(923)	19,517
	3,650	281	(1,329)	25,182
	5,697	575	(1,431)	34,230
	11,500	1,161	(1,224)	49,068
	19,045	1,923	(2,353)	58,164
	29,834	2,295	753	86,265
	93,463	9,346	(2,806)	149,968
<u>5,827,623</u>	<u>5,104,910</u>	<u>476,426</u>	<u>(27,283)</u>	<u>219,005</u>
<u>\$ 5,827,623</u>	<u>\$ 5,275,048</u>	<u>\$ 492,478</u>	<u>\$ (38,526)</u>	<u>712,070</u>
				<u>Penalty and interest receivable on taxes</u> 360,540
				Total taxes receivable per Exhibit C-1 <u>\$ 1,072,610</u>

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
For the Year Ended August 31, 2016

Exhibit J-4

Data Control Codes		Child Nutrition			Variance with Final Budget Positive (Negative)
		Budget		Actual	
		Original	Final		
	Revenues				
5700	Local, Intermediate, and Out-of-State	\$ 313,400	\$ 313,400	\$ 239,614	\$ (73,786)
5800	State Program Revenues	46,945	46,945	6,972	(39,973)
5900	Federal Program Revenues	1,016,970	1,016,970	941,167	(75,803)
5020	Total Revenues	<u>1,377,315</u>	<u>1,377,315</u>	<u>1,187,753</u>	<u>(189,562)</u>
	Expenditures				
	Current:				
0035	Food Services	1,377,315	1,377,315	1,216,084	161,231
6030	Total Expenditures	<u>1,377,315</u>	<u>1,377,315</u>	<u>1,216,084</u>	<u>161,231</u>
1200	Increase (Decrease) in Fund Balance			(28,331)	(28,331)
0100	Fund Balance - beginning	<u>329,315</u>	<u>329,315</u>	<u>329,315</u>	
3000	Fund Balance - ending	<u>\$ 329,315</u>	<u>\$ 329,315</u>	<u>\$ 300,984</u>	<u>\$ (28,331)</u>

Final Draft

WILLS POINT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
For the Year Ended August 31, 2016

Exhibit J-5

Data Control Codes	Debt Service Fund				
	Budget			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 502,708	\$ 502,708	\$ 504,443	\$ 1,735
5800	State Program Revenues	256,787	256,787	300,906	44,119
5020	Total Revenues	<u>759,495</u>	<u>759,495</u>	<u>805,349</u>	<u>45,854</u>
Expenditures					
Current:					
Debt Service:					
0071	Bond Principal	665,000	665,000	680,000	(15,000)
0072	Interest on Bond	94,495	94,495	50,756	43,739
6030	Total Expenditures	<u>759,495</u>	<u>759,495</u>	<u>730,756</u>	<u>28,739</u>
1200	Increase (Decrease) in Fund Balance			74,593	74,593
0100	Fund Balance - beginning	<u>212,781</u>	<u>212,781</u>	<u>212,781</u>	
3000	Fund Balance - ending	<u>\$ 212,781</u>	<u>\$ 212,781</u>	<u>\$ 287,374</u>	<u>\$ 74,593</u>

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FEDERAL AWARDS SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Wills Point Independent School District
Wills Point, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wills Point Independent School District (the “District”), as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2016-001, that we consider to be a significant deficiency.

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To the Board of Trustees
Wills Point Independent School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dallas, Texas
December 5, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE *UNIFORM GUIDANCE***

To the Board of Trustees
Wills Point Independent School District
Wills Points, Texas

Report on Compliance for Each Major Federal Program

We have audited Wills Point Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

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To the Board of Trustees
Wills Point Independent School District

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies and are described in Finding #2016-002.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dallas, Texas
December 5, 2016

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended August 31, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, #2016-001
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes, #2016-002
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)	No
Identification of major programs	
Name of Federal Program or Cluster	CFDA Numbers

US Department of Agriculture

Child Nutrition Cluster

School Breakfast Program	10.553
National School Lunch Program	10.555
National School Lunch Program (Commodity Program)	10.555
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
2. Auditee qualified as low-risk auditee?	Yes

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended August 31, 2016

II. Financial Statement Findings

Finding #2016-001 Reconciliation of Activity Fund Cash

Criteria In order to ensure timely and accurate financial reporting, and to provide accountability over the District's assets, management is responsible for establishing internal controls over accounting for all financial transactions in the general ledger and reconciling the general ledger to subsidiary ledgers on a periodic basis.

Condition: The District's activity fund cash accounts were not properly reconciled on a monthly basis at the campus level during the 2016 fiscal year. Adjustments to the general ledger were required for year-end financial reporting. Additionally, there is no segregation of duties in the cash receipts, disbursements and bank reconciliation process related to activity funds.

Effect: The effect of not preparing bank reconciliations in a timely manner and not maintaining proper documentation for transactions is that misstatements due to fraud or errors could occur and not be detected by employees during the normal course of operations. Additionally, lack of accurate financial reporting can cause decisions of the District to be made based on incomplete and inaccurate information.

Cause: In effort to implement internal controls over activity funds, the District began to centralize the activity fund disbursements during fiscal year 2016. In doing so, the cash in the activity fund bank accounts was transferred to the general operating account. The high school activity fund bank account was not properly reconciled prior to this transfer, which contributed to adjustments being required in order to reconcile. Lack of proper documentation at the campus level for activity fund transactions also contributed to the delay in reconciling the account.

Recommendation: With the consolidation of the activity fund cash into the general operating cash, the District should continue to monitor internal controls over timely bank reconciliations. Activity fund transactions should be properly documented at the campus level, and the documentation should be maintained on file.

III. Federal Awards Findings and Questioned Costs

Finding #2016-002 Child Nutrition Cluster (CFDA 10.553/10.555) – Internal Controls over Compliance: Requirements N: Special Tests and Provisions

Criteria: The Paid Lunch Equity calculation should be completed each year to ensure the District's meal prices for the following year are in compliance

Condition: The Paid Lunch Equity calculation for the year under audit was not performed. The District performed the calculation upon request and was able to show that the District was in compliance with the Paid Lunch Equity Requirement.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended August 31, 2016

Questioned Cost:	None.
Cause:	The Director of Finance over Child Nutrition had received verbal confirmation from its Region Education Service Center that the District was compliant. As such the District did not perform its own calculation. The District was unable to obtain written documentation from the Region ESC.
Effect:	The District did not have any documentation from Region X stating they were in compliance with the meal prices they had established for the year under audit.
Recommendation:	The District should perform the Paid Lunch Equity calculation going forward to ensure the established meal prices are in compliance.

IV. Status Of Prior Year Findings

Finding #2015-001 – Activity Funds

Corrective Action Taken – Partially Resolved, See finding #2016-001

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended August 31, 2016

V. Corrective Action Plan

Finding #2016-001 – Reconciliation of Activity Fund Cash

Description: The District centralized the activity funds during fiscal year 2016. Subsequent to fiscal year end, the cash in the activity fund accounts was transferred to the District's general operating account, which is reconciled on a monthly basis. The District has established a local policy over activity funds, which includes how to properly document transactions at the campus level and management has communicated this policy to personnel involved in the administration of activity funds at all levels.

Responsible Party: Mary Ann Sanderson, Director of Finance

Estimated Completion Date: Resolved as of the date audit report was issued.

Finding #2016-002 Child Nutrition Cluster (CFDA 10.553/10.555) – Internal Controls over Compliance: Requirements N: Special Tests and Provisions

Description: The District performed the Paid Lunch Equity calculation for the upcoming school year to ensure the meal prices were in compliance

Responsible Party: Vickie Stogner, Director of Finance over Child Nutrition

Estimated Completion Date: Resolved as of the date audit report was issued.

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2016

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education			
Passed Through State Department of Education:			
<u>Special Education Cluster:</u>			
166600012349076600	<i>IDEA - Part B, Formula</i>	84.027A	\$ 426,298
16661001234907610	<i>IDEA - Part B, Preschool</i>	84.173A	6,280
Total Special Education Cluster			432,578
16671001234907	<i>Title III, Part A - English Language Acquisition</i>	84.365A	16,302
16694501234907	<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	126,627
16610101234907	<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	499,325
16420006234907	<i>Career and Technical - Basic Grant</i>	84.048A	29,324
69551502	<i>Summer School LEP</i>	84.369A	1,113
16696001234907	<i>Title VI, Part B - Rural and Low-Income Schools Grant</i>	84.358B	49,202
Total Passed Through State Department of Education			1,154,471
Total U.S. Department of Education			1,154,471
U.S. Department of Health and Human Services			
Passed Through Region VII Education Service Center:			
06CH6996-14	<i>Head Start</i>	93.600	32,511
Total U.S. Department of Health and Human Services			32,511
U.S. Department of Agriculture			
<u>Child Nutrition Cluster</u>			
Passed Through State Department of Education:			
Cash assistance:			
71401601	<i>School Breakfast Program</i>	10.553	209,263
71301601	<i>National School Lunch Program</i>	10.555	642,364
Total Passed Through State Department of Education			851,627
Passed Through Texas Department of Agriculture:			
Non-cash assistance:			
234907	<i>National School Lunch Program (Commodity Program)</i>	10.555	85,337
Total Child Nutrition Cluster			936,964
Total U.S. Department of Agriculture			936,964
Total Expenditures of Federal Awards			\$ 2,123,946

Note 1 - Basis of Accounting

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*.

These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Federal Program Revenues (Per Exhibit C-3)	\$	2,467,835
SHARS		(343,889)
	\$	<u>2,123,946</u>

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Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$0
SF11	Net Pension Assets (1920) at fiscal year-end.	\$0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 4,938,669
SF13	Pension Expense (6147) at fiscal year-end.	\$ 799,661